

## Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

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DRAFTED BY ARA/EP/P:ASCFULLER:MMS

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FM SECSTATE WASHDC

TO AMEMBASSY LIMA PRIORITY

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E.O. 11652:N/A

TAGS: EFIN, PE

SUBJECT: NEW LOAN NEARING APPROVAL

1) FINANCIAL SECTION NEW YORK TIMES REPORTED JULY 24 THAT CONSORTIUM OF US BANKS ON VERGE OF APPROVING NEW LOAN \$150-200 MILLION TO GOP. ABOUT HALF LOAN WILL BE MADE AVAILABLE IMMEDIATELY, REST TO BE DRAWN AT END OF YEAR. IN ADDITION, PRIVATE BANKS IN CANADA, JAPAN AND WESTERN EUROPE EXPECTED TO PROVIDE \$100 MILLION.

2) ARTICLE INDICATED THAT PERUVIAN HAD SOUGHT \$350-400 MILLION FROM NEW YORK CREDITORS TO MEET REPAYMENT COMMITMENTS OF \$3.7 BILLION IN FOREIGN DEBT. \$318 MILLION REPORTEDLY DUE THIS YEAR.

3) ACCORDING NY TIMES, PERUVIANS PROTESTED AMOUNT \$150-200 MILLION FOR LOAN AS DISAPPOINTING, BUT SEVERAL BANKING SOURCES TOLD NEWSPAPER FIGURE IS FIRM. TERMS EXPECTED TO BE 4-5 YEARS AT "PREMIUM" RATE. US CREDIT WILL BE PLACED BY LEAD BANKS WITH SMALLER BANKS AROUND COUNTRY. LEAD UNCLASSIFIED

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BANKS INCLUDE FIRST NATIONAL CITY, BANK OF AMERICA, MORGAN

GUARANTY, MANUFACTURERS HANOVER, CHASE AND WELLS FARGO.

4) NY TIMES SAID LOAN AGREEMENT, DETAILS OF WHICH ARE STILL  
BEING WORKED OUT, CALLS FOR CONTINUOUS MONITORING OF PERU

ECONOMIC POLICIES BY PRIVATE BANK CREDITORS. THIS FUNCTION  
TRADITIONALLY PERFORMED BY IMF; PERUVIAN CREDIT BELIEVED TO  
BE FIRST IN WHICH PRIVATE LENDERS ALONE WILL POLICE A  
BORROWER'S MONETARY AND FISCAL POLICIES. GOP DESCRIBED AS  
PREFERRING NOT TO TURN TO IMF. BANKS REPORTEDLY ADVISED  
THAT IF GOP GOT HOUSE IN ORDER AND ADOPTED STABILIZATION  
PROGRAM, THEY WOULD CONSIDER REQUEST FOR LOAN.

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